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TAGS: [BY](#) [PGOV](#) [PINR](#) [PREL](#)  
SUBJECT: BURUNDI MAKING EFFORTS TO MEET IMF DEMANDS  
REQUIRED FOR BUDGET SUPPORT

REF: BUJUMBURA 564

Classified By: Ambassador Moller for reasons 1.4 b and d.

[11](#). (C) SUMMARY: Local International Monetary Fund (IMF) representative Israel de la Piedra met with Ambassador Moller on August 30th to discuss the Government of Burundi's (GOB) progress on meeting short term IMF goals required for funds dispersal. De la Piedra expanded on actions undertaken to date by the GOB, including shortcomings and achievements. He noted that the GOB is making measured progress in resolving the Interpetrol scandal (reftel) and making token gestures for demobilization, but is not moving forward with Ministry of Finance reforms. He continued that the IMF will likely ask the GOB to scrap the current budget and find intermediate financing while a new budget is formulated. De la Piedra emphasized that a new budget would include several politically unpalatable items, but that each of these issues are critical to Burundi receiving IMF budgetary assistance.  
END SUMMARY

[12](#). (SBU) In an August 30 meeting, Burundi IMF representative Israel de la Piedra briefed Ambassador Moller on the Government Burundi's (GOB) progress on meeting immediate IMF stipulations required for its continued budget support. IMF approval will allow, he said, for the release of over USD 90 million in IMF, European Commission, and other donor funds. After a second IMF budget review in July exposed serious flaws in the GOB budget, including alleged double payments for hazy, years old obligations to petrol company Interpetrol and a 34 percent increase in salaries for government workers promised by President Nkurunziza, IMF officials demanded the GOB take certain steps to correct the irregularities. De la Piedra told Ambassador Moller that the GOB is making measured progress on meeting the goals, but they are not out of the woods yet.

[13](#). (SBU) De la Piedra explained that Burundian President Nkurunziza wrote a letter to the IMF managing director outlining in generic terms the steps the GOB is undertaking to meet IMF demands. According to De la Piedra, the letter was less detailed than the bank would like, but that the IMF in Washington appreciated the effort. The IMF originally asked for the GOB to produce an action plan for recovering the money paid to Interpetrol. The action plan would be made public and include judicial strategies designed to recoup the misappropriated payments. To date, President Nkurunziza has only made passing public references to the plan; however, De la Piedra stressed that the GOB has initiated other measures.

[14](#). (C) Complicating the seizure of Interpetrol assets, according to De la Piedra, is the fact that the petrol company supplies between 50 and 80 percent of gasoline that comes into Burundi. When President Nkurunziza began halting

Interpetrol trucks and their fuel in an attempt to put pressure on the company, fuel shortages occurred around the country. However, in a deal with Interpetrol, the GOB has solidified a hold on USD 6 million in Interpetrol funds frozen in a local bank, and also persuaded Interpetrol to offer as collateral 25 properties valued at USD 16 million while the alleged double payment issue is resolved, according to De la Piedra

15. (SBU) The IMF has requested modifications to current GOB regulations that allow the Minister of Finance to authorize extra budgetary allocations with essentially no redundancy to protect against malfeasance. Unfortunately, the GOB is unable to overcome its current political stalemate to vote on any law, including one to reform Ministry of Finance regulations. De la Piedra expressed frustration at GOB's inability to reconcile this matter.

16. (C) De la Piedra noted that Interpol has reportedly issued warrants for the arrest of former Ministers of Finance Denise Sinankwa and Athanase Gahungu. He called this a step in the right direction to determine who is ultimately responsible for the missing funds. Additionally, De la Piedra affirmed the qualifications of the new Governor of the Central Bank, Gaspard Sindayigaya, stating that Sindayigaya has the requisite experience and skills to return the bank to a credible and reliable institution.

17. (SBU) The IMF also stipulated the GOB step up their demobilization efforts in a move to reduce wage costs reflected in the budget. De la Piedra observed that wage costs for the GOB are upwards of 13 percent, while the average for most developing countries is six to seven percent. President Nkurunziza has indicated the GOB will demobilize 1500 police and soldiers in the near term,

alleviating some pressure on the budget. While acknowledging the good intentions of the President, De la Piedra cautioned that this action has occurred too late in the budget cycle to grossly affect budget operations.

18. (C) De la Piedra concluded the meeting by saying that the political situation at the IMF is delicate, with several members of the team openly weary of the continuous corruption and others more sensitive to political considerations. He added that the IMF will likely recommend that the GOB scrap the current budget and start fresh in 2008, as chances for approval of the current budget remain slim. De la Piedra called the elimination of the salary increase and a tax hike on sugar, beer, and gasoline essential components of a new budget. He acknowledged how difficult that will make the political situation for the GOB, but countered that it comes down to the GOB receiving USD 90 million in budget support. De la Piedra said, if the GOB is unwilling to make the difficult choices, then they simply won't receive budgetary support.

19. (SBU) COMMENT: Although his rhetoric was candid - sometimes harsh - De la Piedra maintained a balanced view - neither optimistic or pessimistic in his assessment of the current budget crisis in Burundi. He mentioned that there are ways around a temporary delay in funds dispersal, including acquiring funds on the open market and then repaying them in three months. De la Piedra seemed willing to fight for Burundi within the IMF establishment, and expressed his increasing affinity, as well as frustration, for Burundi. Post will continue to urge the GOB to work closely with the IMF to insure that miscommunication is not the stumbling block that derails Burundi on its bumpy road to stability. END COMMENT  
MOLLER